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The President's Daily Brief

January 14, 1974

~~*Top Secret*~~ 25X1

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THE PRESIDENT'S DAILY BRIEF

January 14, 1974

PRINCIPAL DEVELOPMENTS

Minor violations occurred yesterday on both fronts in the Middle East. The Algerians may withdraw their military units from Egypt, Syria, and Libya. *(Page 1)*

The proposed union of Libya and Tunisia into an "Arab Islamic Republic" may never become much more than a paper agreement. Neither side has named a target date for complete merger, and the referendum to approve it has already been postponed. *(Page 2)*

European central bankers are concerned about the viability of present exchange rates in the face of increased oil prices. Several of them think current exchange rates have become outdated; French bankers stress that it is more important for the Europeans to maintain the joint float than to support individual rates vis-a-vis the dollar. *(Page 3)*

Communist units were active in the Phnom Penh area over the weekend. A rocket attack Saturday damaged the airport, but normal air operations continue.

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Turkey's left-of-center Republican People's Party and the Islam-oriented National Salvation Party announced last night that they had agreed to form a coalition government. *(Page 5)*

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Brezhnev's trip to Cuba reportedly is now set for January 18. *(Page 6)*

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ARAB STATES - ISRAEL

Minor cease-fire violations continued to occur on both fronts yesterday. Sporadic firing broke out along the Syrian cease-fire line in the morning and by early afternoon had expanded into a heavy artillery duel. One Israeli was killed before the firing stopped, according to Jerusalem radio reports.

In Egypt, UN observers reported intermittent skirmishes between Israeli and Egyptian forces at several points along the Suez Canal. Four Israeli aircraft were involved in reconnaissance flights over the area south of Suez city. Otherwise, flight activity was limited on both fronts. 25X1

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LIBYA-TUNISIA

The proposed union of Libya and Tunisia into an "Arab Islamic Republic" may never become much more than a paper agreement. Neither side has named a target date for complete merger, and the referendum to approve it--initially scheduled for January 18--has already been postponed by Tunisian President Bourguiba until March 20.

The scheme is almost certainly a Libyan initiative. Qadhafi apparently turned to Tunisia in an attempt to recoup some of the prestige and influence he lost when plans for a Libyan-Egyptian merger failed last September. Since then, relations with Cairo have deteriorated further, and union with Egypt is now a dead issue.

Qadhafi had tried in late 1972 to win Bourguiba's agreement to forge a united country and offered to make him president, but Bourguiba resisted. What accounts for his recent change of heart is not clear. He may have been attracted in part by the financial benefits he expects from close union with Libya. Bourguiba may also see in the proposed merger an opportunity to exert a moderating influence on Qadhafi and to end Libya's isolation in the Arab world. This would seem an impossible task, however, since it would require a considerable mellowing of Qadhafi's views and behavior.

Bourguiba has publicly expressed the hope that Algeria, Mauritania, and Morocco will eventually join Tunisia and Libya in an even broader union. Earlier attempts to achieve unity in the Maghreb have foundered, largely because of deep mutual distrust and economic rivalry. Indeed, Algeria has already branded the Tunisian-Libyan merger, not without reason, an "unnatural construction."

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INTERNATIONAL MONETARY DEVELOPMENTS

At a closed meeting last week in Basel, European central bankers reportedly showed considerable concern about the viability of present exchange rates in the face of increased oil prices. Several of the participants suggested that current exchange rates have become outdated, and the French representative stressed that it is more important for the Europeans to maintain the joint float than to support individual rates vis-a-vis the dollar. There was general consensus on the necessity to preserve the float.

Finance ministers from major countries will meet on January 17-18 in Rome to discuss the impact of the energy crisis on the world monetary situation and on prospects for international monetary reform. The meeting was originally scheduled to take up monetary reform, but there is little chance for early progress on this issue.

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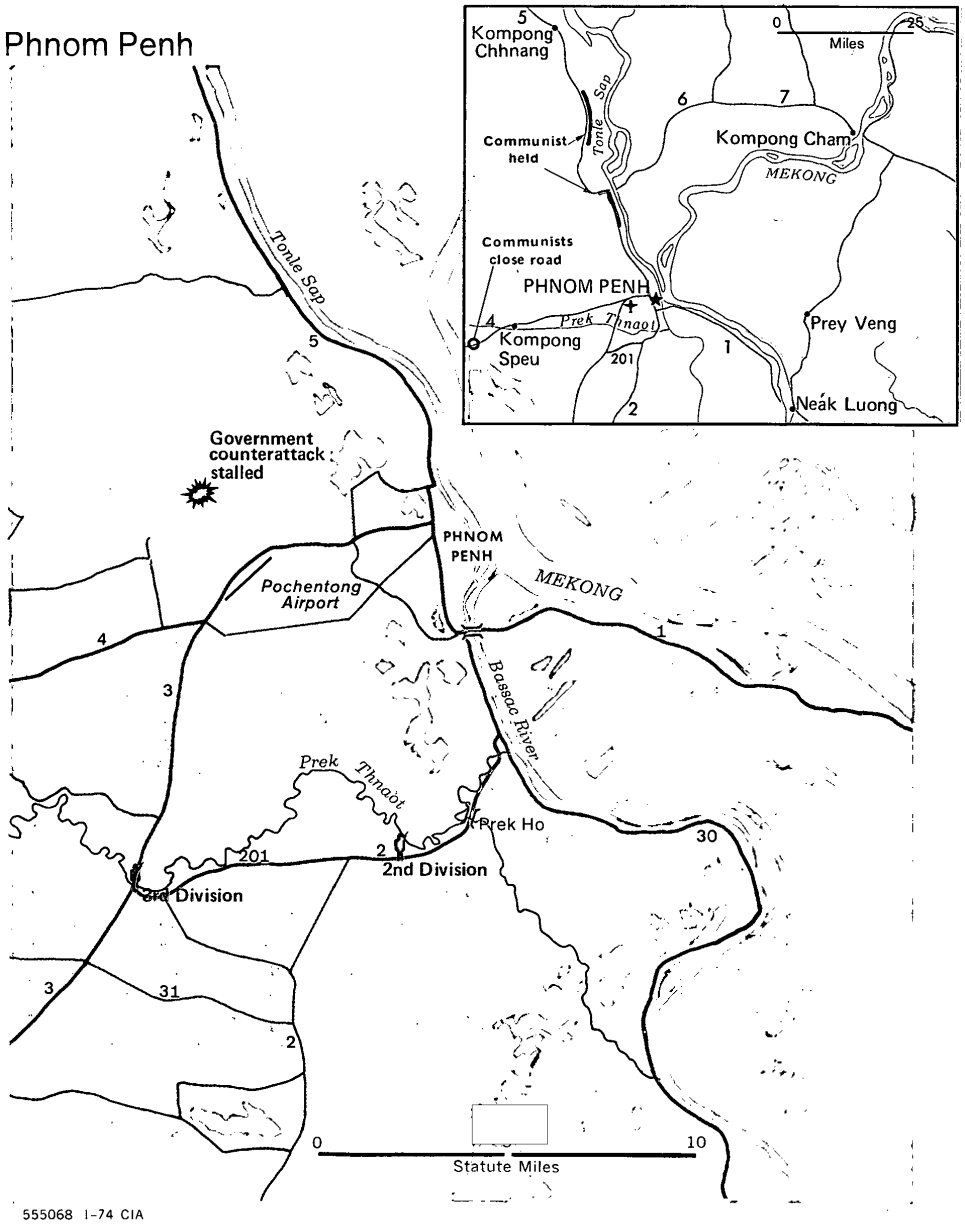

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CAMBODIA

Military activity remained centered in the Phnom Penh region over the weekend. The Cambodian Army counterattack against Khmer Communist forces three to five miles northwest of the capital has bogged down in the face of stiff enemy resistance. Army commanders have committed additional armored units to this sector in an effort to break the deadlock there. A Communist rocket attack on January 12 damaged both the runway and the control tower at Phnom Penh's Pochentong airport, but normal air operations continue.

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Communist units again cut Route 4 southwest of Kompong Speu City over the weekend, forcing a truck convoy bound for Phnom Penh to turn back. Army commanders last week pulled major units back from the Route 4 front to counter the threat to Phnom Penh.

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TURKEY

Turkey's left-of-center Republican People's Party and the Islam-oriented National Salvation Party announced Sunday night an agreement to form a coalition government. The two parties have about 235 deputies in the 450-member National Assembly. The badly split legislature has been unable to form a government since the inconclusive elections in mid-October.

There have been indications that the Turkish military, restless over the three-month political stalemate, has been applying pressure to secure a government acceptable to it. Still, the coalition proposal presents Turkish officers with a dilemma. They have a strong secular tradition and have opposed allowing the National Salvation Party a part in the government.

If the President accepts the coalition, the military may decide to let such a government take office and then assess its early performance. On the other hand, it might decide on strong pressure to bring about a broad national coalition or a government based on cooperation between the Republican People's Party and the Justice Party, the parties with the largest representation in parliament.

The Embassy in Ankara believes the military's decision could go either way.

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NOTES

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USSR-Cuba: Well-informed Soviet sources reported on January 12 that party chief Brezhnev's trip to Cuba is now set for January 18, according to Western correspondents in Moscow.

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